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Leading Indicators Decline Again

Jobless Claims Jump Sharply

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An index intended to show the economy's future direction fell 0.3% in February, the fifth consecutive monthly drop, according to preliminary estimates by the Conference Board.

Meanwhile, the number of U.S. workers filing new claims for unemployment insurance increased sharply last week, matching a two-and-a-half-year high, suggesting another very weak employment report in March after back-to-back declines to start the year.

The Conference Board, a private research group, said Thursday that its composite index of leading indicators fell to 135.0 in February after a revised 0.4% drop in January, a 0.1% decline in December, a 0.5% decline in November and a 0.5% decline in October.

"The economy may be grinding to a halt," said Ken Goldstein, labor economist at the Conference Board, referring to the data. "Growth will be weak this spring. A small economic contraction cannot be ruled out. The economic signals are flashing yellow."

The February reading for the leading index was much lower than the 0.2% median increase estimate of 17 economists surveyed by Dow Jones Newswires Friday.

With February's decline, the leading index has fallen 1.5% -- a decline of a 3% annual rate -- from August 2007 to February 2008, the Conference Board said. Only two components out of 10 have increased from August to February, it said.

In February, unemployment claims, building permits and consumer expectations made large negative contributions, the board said. Positive contributors were real money supply and interest rate spreads.

The composite index of coincident indicators was unchanged for the third consecutive month in February, at 124.9, after revisions to numbers from November to January due to lower personal income numbers.

The index of lagging indicators was up 0.2% in February at 131.2 after a 0.1% increase the month before.

The index was equal to 100 in 1996.



The Conference Board is a nonprofit research and business membership group that computes the composite indexes from the U.S. Department of Commerce.

Jobless Claims Drop

Continuing claims lasting longer than one week rose as well to their highest level since 2004, more evidence that the

fallout from a housing slump, struggling automobile sector and strained financial markets is spreading throughout the economy.

Initial claims for jobless benefits jumped 22,000 to 378,000 after seasonal adjustments in the week ended March 15, the Labor Department said Thursday, matching the highest level since October 2005.

Economists surveyed by Dow Jones Newswires expected an increase of only 3,000. The previous week's level was revised up by 3,000.

A Labor Department analyst said last week's claims were boosted by a strike at American Axel that has idled workers at General Motors plants in Ohio, Indiana and Michigan. The Labor Department didn't have a specific numeric breakdown. "It's in there, I know it's positive, but we're having trouble giving an accurate adjustment," the analyst said.

The four-week average of new jobless claims, which economists use to smooth out weekly volatility, rose by 6,000 to 365,250, the highest level since October 2005.

Employment markets have weakened sharply in recent months, threatening consumer spending and overall economic growth. Nonfarm payrolls fell in January for the first time in over four years, by 22,000, then fell at an even faster pace, 63,000, last month. Those declines convinced many Wall Street economists that the economy is now in recession.

In response, the Federal Reserve has lowered interest rates aggressively, including a 0.75-percentage-point reduction in the fed funds rate target on Tuesday to 2.25%. Officials have lowered the fed funds rate by three percentage points since last September.

The latest jobless claims data, which include the survey week for the March employment report, suggest the Fed will have to lower rates still further.

According to Thursday's report, the number of workers drawing unemployment benefits for more than one week, also known as continuing claims, rose 32,000 to 2,865,000 in the week ended March 8. That's the highest since August 2004. The four-week average of

those continuing claims rose as well, suggesting it is getting harder for the unemployed to find work.

The unemployment rate for workers with unemployment insurance rose 0.1 percentage point to 2.2% in the March 8 week.

On an unadjusted basis, California reported the biggest increase in new claims during the March 8 week, 3,755, due to layoffs in service industries. New York reported the biggest decrease, 13,504, due to fewer layoffs in transportation and service industries.

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